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Highlights in the 1949 Outlook.....	1
Strong Demand Expected in 1949.....	N. Koffsky 3
Cost Load To Stay Heavy.....	Wylie D. Goodsell 5
Net Income To Be Down Again.....	Ernest W. Grove 6
Many Families Improving Homes.....	Gertrude S. Weiss 7
1949 Commodity Outlook Summary.....	8

Highlights of the 1949 Outlook

● **DEMAND** for most farm products is expected to stay strong in 1949. If economic trends and government programs develop as now indicated, farmers' prices and cash receipts may average almost as high in 1949.

● **PROSPECTS** for the second half of next year are more uncertain. It is possible that the foreign situation could change in such a way that government spending for foreign aid and defense would be reduced substantially. This would weaken demand for farm products. Even under such a situation, farmers' cash receipts are not likely to drop more than 10 percent below the 30 billion dollars estimated for 1948.

● **FARM COSTS** are the highest in history this year. Feed costs will be down in 1949 but many other production costs will continue upward. Total costs are likely to be near 1948 levels.

● **GROSS FARM INCOME** is leveling off this year. With costs continuing

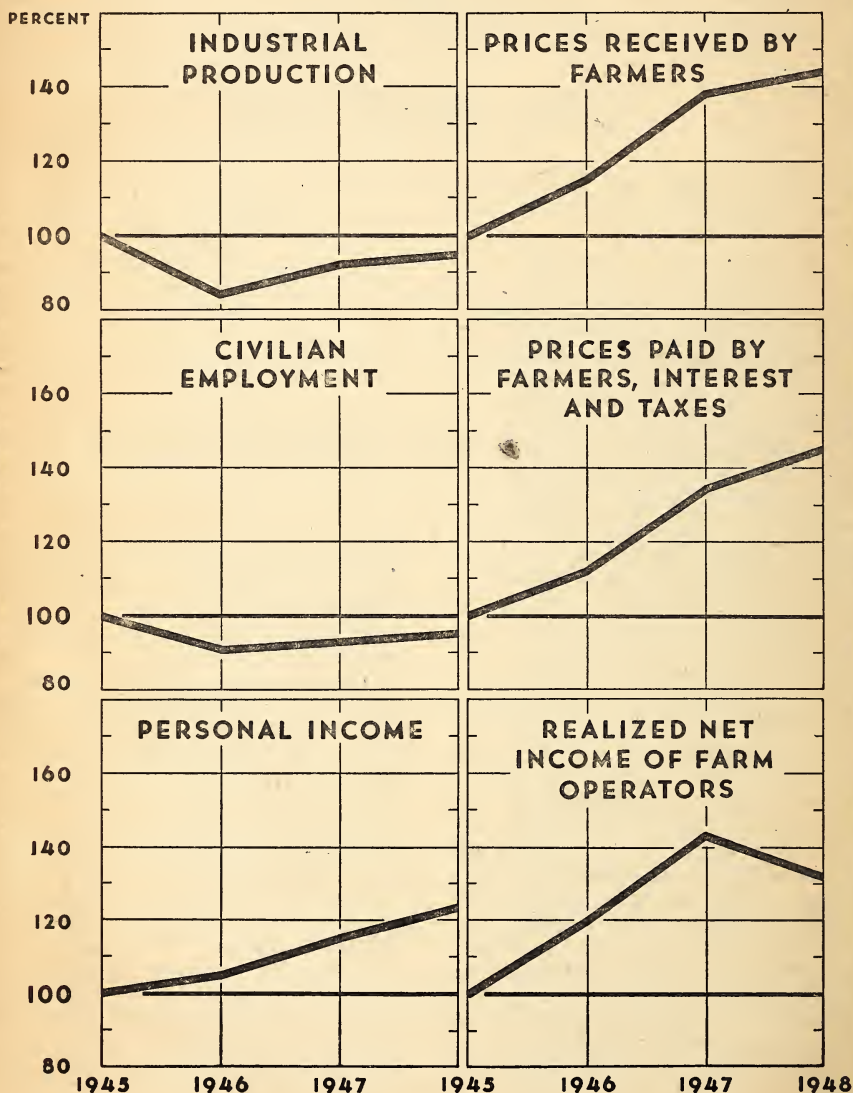
upward, net farm incomes for 1948 is expected to be down about 8 percent from 1947. With another slight drop in gross income expected in 1949 and costs remaining high, net income probably will be off again next year.

● **WITH NET INCOMES** high, the last few years have been prosperous ones for many farm families. They have spent more for household furnishings and equipment, improved their homes, spent more for medical care. However, not all families have shared the general prosperity and many have felt the pinch of the high cost of living. With net incomes expected to be fairly high in 1949, higher income families probably will continue to improve their living.

● **LIVESTOCK** producers are expected to have a good year in 1949. Prices are expected to stay high, their feed costs will be lower and production will be up a little. Crop prices probably will average somewhat lower this year.

POSTWAR TRENDS AFFECTING FARMERS

(1945=100. All Figures for 1948 are Estimated)



BAE 46933-X

Strong Demand Expected to Hold Farm Prices Near '48 Level

FARMERS can make their plans for 1949 with good prospects that prices for their products will average almost as high as in 1948.

In the last 3 years, farmers have produced a larger volume of products than in any similar period in the past. They have marketed these products at prices averaging the highest on record. Although rising production costs will leave farmers with a smaller net income in 1948 than in 1947—and another decline is likely next year—the outlook is that 1949 will be another good year for most farmers.

Supporting the exceptionally strong demand for most farm products in recent years has been the boom in the United States and critical needs for food abroad.

The boom has been reflected in all parts of our economy. Our factories are turning out a larger volume of goods than in any other peacetime year. Employment has risen steadily and is expected to average more than 60 millions for 1948. About the only workers out of jobs are those moving from one position to another.

Record Consumer Income

Along with increasing employment and production, prices for nearly all types of goods and services have risen rapidly. In August, the wholesale price index of the Bureau of Labor Statistics hit the highest peak in a century and a half. Prices received and paid by farmers advanced persistently until early 1948 when they reached the highest levels ever recorded. Retail prices have forged steadily upward.

High level activity has produced the highest consumer incomes in history; and with it the strong domestic demand for farm products. Current economic trends and Government programs indicate that no significant decline in busi-

ness activity is in the picture for 1949. But before we take a more detailed look at what's ahead, it will be well to examine more closely the principal forces that have produced the current boom. There are four of them:

High consumer expenditures: High consumer incomes, in recent years, have been supplemented by the largest individual holdings of liquid assets in history. This, along with the fact that consumers were unable to buy many things they wanted during the war, resulted in a tremendous demand for all types of goods and services. During 1946 and 1947, consumer expenditures increased more than consumer income. This year, however, the increase in spending has been more moderate and has been less than the gain in consumer incomes.

Industry Spends Heavily

Increasing private domestic investments: This includes new housing and outlays by business for plant and equipment. Business men have been modernizing and equipping the Nation's industrial plant at a rapid rate. More new houses are being started this year than ever before. Total investment spending by private business in 1948 is almost 5 times prewar.

Government spending: Federal expenditures are up substantially this year because of defense and foreign aid programs. State and local governments are spending more for schools, streets, highways and other services.

Excess of United States Exports over Imports: In 1947, the United States exported 19.8 billion dollars worth of goods and services and imported 8.5 billions. This year, exports are expected to be down about 8 percent. Imports will be up moderately but will continue far short of exports. United States agricultural exports will total about 3.4

billion dollars this year compared with 3.9 billion dollars in 1947.

Next year, these four factors are expected to total about as large as in 1948. Some easing is likely in business expenditures for plant and equipment and in some consumer goods industries such as textiles and shoes. But this will probably be offset by increasing expenditures by Federal, State, and local governments. This would mean that economic activity would continue close to current levels. However, there are some uncertainties that could change the outlook.

Cut-backs Possible

The major uncertainty results from the precarious foreign situation. Federal spending for defense and foreign aid is increasing and will continue to do so through the first half of 1949. In 1949-50, however, the amount spent for these purposes will depend on appropriations yet to be made. It is possible that a change in the foreign situation could lead to substantial cut-backs in these programs. In this case, a decline in economic activity—and in the demand for farm products—would be likely. On the other hand, if a large increase in foreign aid becomes necessary, inflationary forces are likely to be reinforced.

In addition to Government spending, there are some questions as to fu-

ture trends in private business. Recent unofficial surveys indicate that private concerns may spend less for plant and equipment next year. A recent downturn in the number of new houses started suggests the possibility of some decline in residential construction next year. However, the expansion program of public utilities and railroads are far from complete. Expenditures by these companies should help prevent anything more than a moderate decline in private domestic investments.

Some Backlogs Met

Another uncertainty in the 1949 outlook is the extent to which consumer demand will hold at 1948 levels. This year, the relation between consumer spending and income was more nearly normal than it has been for several years. Some of the backlog demands from the war years, particularly for shoes, textiles and some durable goods, have largely been met. However, shortage of automobiles and houses still exist. While some easing in consumer spending in certain lines may occur, it is likely that the over-all level will remain very high in the coming year.

Although these uncertainties must be taken into account, the most reasonable outlook seems to be that economic activity will continue at a high level next year. Demand for farm products is likely to continue strong and prices farmers receive may average almost as high as in 1948. Even though crop production in 1949 may be below this year's record, increased output of livestock products will keep total farm marketings about as large. As a result, cash receipts of farmers in 1949 will be close to the 30 billion dollars estimated for this year.

Sharp Drop Unlikely

Even if business activity falls off moderately in late 1949, cash receipts are not likely to fall off more than 10 percent from the 1948 figure. Declining consumer incomes would result in a substantial drop in prices of livestock and products but price supports would prevent more than a moderate drop in crop prices.

N. KOFFSKY

Bureau of Agricultural Economics

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Cost Load To Stay Heavy

FARMERS are spending more for production items this year than ever before. As shown by the chart on the next page, farm costs this year are expected to total 18 billion dollars, 3 times prewar and more than gross farm income in any year before 1942.

Cost rates have been rising more rapidly than prices of farm products. From 1945 to 1946, cost rates were up 10 percent while farmers prices advanced 15. From 1946 to 1947, however, cost rates went up 22 percent and prices of farm products 20. The biggest postwar gain of cost rates over prices received is expected this year. Cost rates during the first 8 months of 1948 advanced 14 percent over the same period of 1947. Farmers' prices were up only half as much.

Most Items Up

The rise in production cost has been general. Feed grains and hay brought record prices the first half of this year although they fell off with prospects for a record crop. Farm wage rates are 5 to 10 percent higher than a year ago. Prices of farm machinery, fertilizer, seeds, insecticides and fungicides, building materials and containers are all up, most of them to new highs. Taxes also are higher.

The cost of obtaining land, whether buying or renting, also has increased. Farm land values are now 2 percent above the previous record of 1920. Rents also are up substantially. To many farmers rent or debt service is the largest single item of expense. Land purchased on credit at present prices will prove costly if prices for farm products drop substantially.

There is little prospect that the overall cost load will be any less next year. Feed costs in 1949 are expected to be considerably lower but many other production items are continuing upward. Total farm expenses probably will be about the same as this year. The outlook for important items:

Farm labor: Wage rates are expected to continue at current levels through the rest of 1948 and into 1949. The supply is expected to be adequate for most needs.

Farm machinery: Prices of farm machines are expected to stay high and the same is true of motor fuel. Since feed prices will be lower, the advantage of machine power over animal power in 1949 will be reduced.

Feeds: Supplies of concentrates per animal unit in 1948-49 will be the largest on record and prices will be much lower. It will pay farmers to feed livestock, particularly hogs, more heavily.

Higher Seed Prices

Seeds: Production was small this year and prices will be higher the rest of 1948 and the spring of 1949 than a year earlier.

Fertilizer, insecticides and fungicides: Fertilizer prices this spring were up 50 percent since 1940 and are likely to be still higher next spring. Insecticides and fungicides will remain near 1948. Supplies generally will be adequate, except for certain fertilizers, particularly those high in nitrogen.

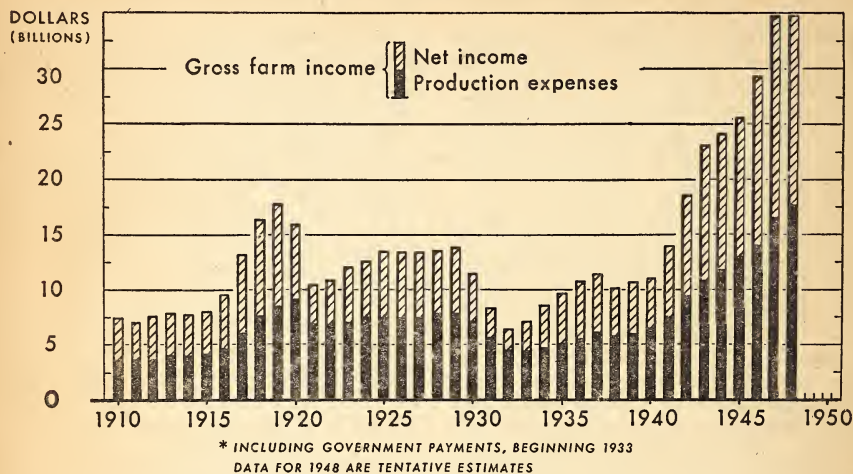
Building materials: Prices of these items are now almost 2½ times prewar. Lumber production was high in 1948 but prices are a record and are expected to remain high next year.

Despite high cost rates and declining prices for some farm products, there will be real opportunity again next year for farmers who manage their enterprises skillfully. Farmers who are able to shift crops and livestock to take advantage of favorable relationships between costs and prices and who use fertilizer and feed in appropriate amounts will profit in 1949.

New investments for production should increase efficiency and reduce unit costs to prevent heavy carrying charges if prices fall.

WYLLIE D. GOODSSELL
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GROSS FARM INCOME: NET INCOME AND PRODUCTION EXPENSES OF FARM OPERATORS, UNITED STATES, 1910-48*



U. S. DEPARTMENT OF AGRICULTURE

NEG. 39404-X BUREAU OF AGRICULTURAL ECONOMICS

1949 Income Outlook

Net Income To Be Down Again

GROSS farm income is leveling off this year. With farm production expenses up 7 percent from 1947 and the highest in history, farmers net incomes are expected to drop about 8 percent from last year, the first decline in a decade.

A further decline in net income is in prospect for 1949. Gross income is not likely to fall much but production expenses will be about as high as this year.

Gross farm income—the sum of cash receipts from farm marketings, Government payments, the value of products consumed in farm households and the rental value of farm houses—is estimated at 34.6 billion dollars for 1948 compared with 34.7 billions last year.

Close to 30 billions of the 1948 total comes from marketings. Receipts from livestock and products are about 17 billions, up 3 percent from 1947. Higher

prices are more than offsetting a decline in marketings. But crop receipts at about 13 billions are down 5 percent from 1947. Marketings are larger but prices average lower.

Government payments to farmers are expected to total only 275 million dollars, 12 percent less than in 1947. Rental value of farm houses and value of home consumption are up a little.

Next year, gross farm income is expected to be down about 5 percent. Cash receipts will be off only slightly. Total marketings will be about the same with a decline in crop sales offset by a heavier flow of livestock and products.

Lower prices for farm products will mean lower value for those consumed in farm households. Government payments to farmers will decline still further.

ERNEST W. GROVE
Bureau of Agricultural Economics

Many Families Improving Homes

THE LAST few years have been prosperous ones for many farm families. However, a great variety of circumstances enter into the general picture of farm income and levels of living. Some types of farming have done better than others. Some areas have had a smaller increase in income than others. But more important, in all areas and for all types of farming, not all families have shared equally in the general prosperity of farmers.

Our information on recent changes in farm family spending comes partly from reports on the accounts that farm families keep and send to State colleges. These families are not representative of the entire farm population. They are, for example, more prosperous than the average farm family. However, their records do provide an up-to-date picture of the kinds of changes in farm family spending.

In the past, these account-keeping families have generally spent less money for various consumer goods than the per-capita average for all consumers in the country. This is partly explained by the food and fuel furnished by the farm and by the fact that many farmers carry part of their housing expenses as a farm business cost. Moreover, farm families often can buy farm products from neighbors more cheaply than city families. However, the smaller money income of farm families, at least in the 1930's and early 1940's, is probably the chief reason for spending less.

The most striking fact about 1947 family spending is the extent to which farm families have bought household furnishings and equipment. About 14 percent of the expenditures of the account-keeping families for family living last year was used for furnishings and equipment for the house. Total spending for this purpose was $3\frac{3}{4}$ times the 1937-40 average.

Farm families also have used their larger incomes to improve their houses. The number of farm houses with modern bathrooms more than doubled from 1940 to 1947 and more than a million were supplied with running water. Much remains to be done. In April 1947 two-thirds of the farm houses still had no running water and four-fifths were without modern bathrooms.

Another way in which farm families have used their increased income is to increase their spending for medical care. By 1947, account-keeping families were spending $2\frac{1}{2}$ times as much for medical care as in 1940 while the increase for the average United States consumer was less than double. However, many farm people still do not have as good opportunities for medical care as city people.

Food still takes first place among the goods farmers buy for family use. Over the country, it amounts to a third or a quarter of the amount spent for family living. For families on the poorer farms, it is even more. Hence, home food-production and home food-preservation are still important.

Continued improvement of the houses and household equipment of farm families is likely in the years ahead. Extension of electric power lines in rural areas has stimulated many farm families to make these improvements. But prospects are for a lower net farm income next year, and, even in the years of highest income, many farmers cannot afford to undertake ambitious programs for modernizing their houses. The third with the lowest incomes, and possibly the lowest half, will have only small sums to spend in this way. Hence, programs for financial planning, nutrition, and food production and preservation will again be important next year.

GERTRUDE S. WEISS
*Bureau of Human Nutrition and
Home Economics*

1949 Commodity Outlook Summary

NOT ALL farmers have prospered during the past few years; nor will they suffer from the declines now occurring in farm prices and incomes.

High feed prices during the past year increased incomes of some grain producers, partly offset drought losses of many farmers in the Midwest, and added to the costs of livestock producers in deficit feed areas. Similar variations exist among other commodities. For example, a bad weather break for peach growers in the South resulted in higher prices for mid-Atlantic and Western growers.

Price changes expected give some idea how different farmers will fare next year. In general, producers of livestock and livestock products will do better. Prices they will receive are not expected to be much different, their feed costs will be substantially lower and production will be up a little. The drop in feed costs will appear as lower prices to cash grain producers and to farmers with oilseeds to sell. These farmers have larger supplies and with not much

change expected in demand, their prices will be lower next year.

Fruits and vegetables are the only groups of commodities which were priced lower in September 1948 than in September 1945. (See table below.) Some analysts believe these products already have made their "postwar adjustment" and that their prices will change less than for other commodities. However, some declines appear likely, particularly for fruit.

Price supports for basic commodities—corn, wheat, cotton, tobacco, rice and peanuts—are continued at 90 percent of parity by the Agricultural Act of 1948. Supports may be slightly lower next year because of declines expected in the index of prices paid by farmers including interest and taxes. Under the new act, however, supports for some commodities can be set at lower levels than this year. Chief among them are potatoes, soybeans, flaxseed and dry edible beans.

ROBERT C. TETRO

Bureau of Agricultural Economics

Group Indexes of Prices Received by Farmers

(August 1909-July 1914=100)

	September 1948	Percentage change from—		
		September 1945	September 1946	September 1947
Feed grains and hay.....	223	+42	+1	-25
Food grains.....	223	+34	+8	-20
Truck crops.....	150	-6	-3	-16
Oil-bearing crops.....	282	+32	+19	-9
Cotton.....	250	+43	-12	-1
Fruits.....	185	-15	-12	+2
Tobacco.....	406	+11	+3	+15
All crops.....	231	+21	-2	-9
Meat animals.....	408	+97	+64	+11
Dairy products.....	302	+53	+11	+7
Poultry and eggs.....	253	+26	+14	+3
All livestock and products.....	343	+69	+37	+9
Crops and livestock.....	290	+47	+19	+1

LIVESTOCK

Next year's prospects are generally favorable to producers of meat animals. More feed will be available for raising and feeding livestock than in 1948, and livestock-feed price ratios will be higher. Demand for meat appears likely to continue strong and prices for the year are likely to average close to 1948 levels.

Because many months are required to raise a slaughter animal, consumers will have little if any more meat next year. Production is expected to provide about 140 to 145 pounds per civilian. This would be near the 145 pounds estimated for 1948, well above the 1937-41 average of 134 pounds, but below the 39-year peak of 155 pounds reached in 1947.

Pork will make up a larger part of our meat supply in 1949. A few more pigs may be born this fall than in the fall of 1947, providing somewhat more hogs for market and more pork for consumption next spring and summer than at the same time in 1948. A much larger increase is expected in next spring's crop because the hog-corn price ratio will become progressively more favorable during the fall breeding season. This fall, the ratio has risen as the price of corn declined. It may reach 17 or more, a sharp gain from only 9.1 in May.

The spring pig crop may be 15 to 20 percent larger than in 1948. If it reaches the goal of 60 million pigs set by the Department of Agriculture, it will be 17 percent larger than the 1948 spring crop and the biggest since 1943.

Meat supplies may increase faster than usual late in 1949 when marketings of next spring's pigs will begin. The last 2 or 3 months of 1949 may bring the first substantial increase in meat supplies resulting from the bumper 1948 feed harvest.

The number of cattle has declined steadily since reaching a peak at the beginning of 1945. As a result, a part of each year's beef output has been provided at the expense of future production. Since herds will be smaller in 1949 than this year, fewer cattle and calves will be slaughtered and less beef

and veal will be produced. The reduction will be even larger if cattlemen slow down or halt the decline in their herds. However, it is likely that more cattle will be grain fed in 1949, and that more of the beef next year will be of the better quality.

Sheep numbers have declined longer and faster than cattle numbers and appear still to be going down. Prospects are for further decrease in lamb and mutton production in 1949.

The increase in pork output next year is likely to just about offset the reduction in other meats. With total meat production not greatly different from 1948, changes in prices of meats and meat animals in general will be due mainly to changes in demand. However, the larger output of pork may result in relatively lower prices for pork and hogs than for beef and beef cattle, particularly late in the year when the run of hogs to market will increase rapidly.

HAROLD F. BREIMYER

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DAIRY PRODUCTS

American dairy farmers will be in a more favorable position during 1949, if pasture and crop conditions are average or better. Prices for the milk and dairy products farmers will produce for sale will average about the same as in 1948. Cash farm receipts from the sale of milk and dairy products in 1949 probably will be a little different from the 4.5 billion dollars of this year. Declines in feed costs are likely to more than offset any increases in other items used in dairy production, so that net income from dairying probably will be at least as great, and possibly somewhat greater, than in 1948.

The decline in number of milk cows is in the fifth consecutive year for the United States and in the sixth year for the West North Central States. At the beginning of 1949, the United States number will be down 12 or 13 percent from the 1944 peak, and the lowest since 1930. With supplies of feed per animal unit a record, however, dairy product-feed price relationships will be considerably more favorable to farmers than in 1948. As a result, the rate of

output per cow in 1949 probably will exceed this year's record of over 5,000 pounds.

Total milk output on farms will be a little greater than the expected 117 billions for 1948 but probably less than the 1947 output of 119.4 billion pounds.

The number of cows on farms is likely to continue downward in 1949 since high returns for beef and other alternative enterprises probably will offset more favorable dairy product-feed price relationships. However, the rate of decline will be less rapid than in 1948 if crops and pastures are average or better. By the end of 1949, numbers may stabilize since the number of replacement stock in relation to the number of milk cows is a record. This would be especially likely if alternative enterprises become substantially less favorable relative to dairying in the latter part of next year.

The pattern of domestic demand for dairy products is likely to be little different in 1949 from that of 1948. Any changes from the 1948 pattern of production among the various dairy products would be caused mostly by export procurement. Prices of manufactured dairy products probably will follow their usual seasonal changes more closely than this year.

This year, production of milk per capita is the lowest since the drought years of the 1930's. Because of the shift in milk utilization, however, per capita supplies of all major dairy items, except butter, are well above prewar. Little change in consumption of individual products is likely during 1949, though the level for fluid milk and cream and ice cream may decline slightly further from records reached 2 or 3 years ago. Farmers can count on marketing in whole form a continued large proportion of the total milk produced.

HERBERT KRIESEL

Bureau of Agricultural Economics

POULTRY AND EGGS

Farm egg prices in 1949 are likely to average about the same as in 1948. Compared with this year, they may be

slightly higher in the first half of 1949 but somewhat lower in the second half. Minimum support prices probably will not be much different from 1948.

Total egg production in 1949 also may be about the same as in 1948. Output in the first half is likely to be slightly lower than in the same period of this year but probably will be running higher by the fourth quarter. As a result of unfavorable relationships between egg prices and feed prices early in 1948, farmers raised 15 percent fewer chickens than in 1947 and culled laying flocks more heavily than usual. Consequently, fewer layers will be on farms January 1, 1949, than a year earlier.

Feed prices this fall and during the hatching season next spring are expected to be considerably lower than a year earlier because of the 22 percent increase in the supply of feed concentrates per animal unit. Lower feed prices plus the relatively high egg prices in 1948 and the record farm prices received to date this year for chickens and turkeys is likely to induce farmers to raise somewhat more farm chickens and turkeys in 1949. This would increase the 1949 supply of poultry meat, raise egg production by the latter part of 1949, and provide a larger number of layers for producing eggs in 1950.

Commercial broiler production expanded this year despite the tight feed situation of the first half of 1948. This increased output partly made up for the decrease in farm chickens raised. In 1949, broiler output may be higher than this year during the first half of the year, but is likely to total about the same for the year as a whole.

With larger total supplies of chickens and turkeys coming to market during the latter part of 1949, farm prices for these products probably will fall below the levels of this fall. Prices during the first half of next year, however, may not be much different from those in early 1948.

GEORGE ROGERS

Bureau of Agricultural Economics

FEEDS

The supply of feed for 1948-49 is the second largest on record, in sharp con-

trast with the short supply of last year. The record corn crop of over 3.5 billion bushels is largely responsible for the big feed supply.

Protein feeds for livestock are expected to be near record, even after allowing for much heavier exports of oilseed cake and meal in prospect for 1948-49. Wheat feeding, however, probably will be reduced considerably. Total feed concentrate supply, including grains and byproduct feeds, is nearly a fourth larger than last year. It is the largest on record in relation to the number of livestock to be fed.

With an abundant supply of feed, and with prospects for fairly high prices for livestock in 1948-49, livestock-feed price ratios are expected to be very favorable. The rate of feeding per head of livestock probably will be as heavy as in any of the last 5 years.

Farmers are expected to sell about as much corn as the record quantity sold from the 1946 crop. This will substantially increase the quantity available to deficit feed areas, for domestic food uses, and for export. Exports of all feed grains probably will be about as large as the 5 million tons exported in 1946-47.

Even after allowing for liberal use of feed grains in 1948-49, the carry-over next year probably will be increased to around the high 1937-41 average. Corn carry-over probably will exceed 500 million bushels for the first time since 1941.

Prices of feed grains are expected to average around a third lower this winter than last. In recent months, feed prices have declined sharply, with oats, barley, and sorghum grains reaching Government supports. Corn prices will be below the loan rate in many areas this fall and winter. The quantity of corn placed under loan or sold to the Government is expected to be the largest since 1939.

Supplies of hay this year for the entire country are fully adequate for the livestock to be fed, but supplies vary widely by areas. In the dairy States of the Midwest and some range States, especially, supplies are short.

M. CLOUGH

Bureau of Agricultural Economics

WHEAT

Prospects for a large seeded acreage next year, a decline in exports and an increase in stocks highlight the 1949-50 outlook for wheat.

With price supports continued at 90 percent of parity and the announcement that marketing quotas will not be set on 1949 wheat, the acreage seeded next year is expected to exceed the 77.7 millions of 1948. Estimates of the State Production Adjustment Committees, for example, point to about 79 million acres. This would be only 2 percent below the 1937 peak and 9 percent larger than the recommended national goal.

If 79 million acres are seeded and average yields of 15 bushels per acre are obtained, 1,185 million bushels would be produced. Domestic disappearance in 1949-50, including food, feed and seed, probably will total about 750 million bushels, the same as estimated for 1948-49. This would leave about 435 million bushels for export or addition to carry-over.

Exports in 1949-50 will depend on the size of the world crop and on the amount of United States financial aid to foreign countries. However, a substantial decline from levels of recent years seems in prospect. Early estimates set the 1949-50 total at 300 to 350 million bushels compared with at least 450 million estimated for this crop year and 480 million bushels in 1947-48.

If exports should amount to more than 325 million bushels, a 1949 crop of 1,185 million bushels would add about 110 million bushels to the carry-over on July 1, 1950, bringing the total to about 385 million bushels. Stocks at the end of the 1948-49 season are expected to be about 275 million bushels. The prewar average was 235 million bushels and the record was 631 millions for July 1, 1942.

With wheat supplies increasing, prices in 1949-50 may average closer to the loan level than is likely in 1948-49. Furthermore, the loan level next year probably will be a little below the national average of \$2.00 for this year.

ROBERT E. POST,

Bureau of Agricultural Economics

FATS AND OILS

The supplies of fats and oils in prospect indicate that the postwar peak in prices probably has been passed. Bumper oilseed crops this fall assure an increase in production of vegetable oils this crop year, and the record corn crop probably will result in a substantial rise in lard and grease output in 1949-50.

The BAE index of wholesale prices of 27 major fats and oils for the year ending October 1 was about 275 percent of the 1935-39 average. This was moderately higher than a year earlier and a record.

Declines in fat-and-oil prices from the 1947-48 crop year will be mainly in edible vegetable oils and coconut oil, since it is in these items that supply increases are expected. Prices of edible vegetable oils probably were already approximately adjusted to the new crop level by mid-October when they were about 30 percent below their 1947-48 average. The price of coconut oil in mid-October was still high but is likely to decline later as imports of Philippine copra and coconut oil increase.

Prices of animal fats may average nearly as high in 1948-49 as a year earlier. Tallow production is expected to decline moderately in 1948-49 because cattle slaughter probably will be reduced. Lard and grease output in 1948-49 may be about the same as last season. A slightly reduced hog slaughter is likely in the first 6 months of the current season, reflecting a 3-percent decline in the 1948 spring pig crop. However, with the large supply of corn on farms, hogs may be marketed at somewhat heavier weights in 1948-49 than a year earlier.

EDGAR L. BURTIS
Bureau of Agricultural Economics

COTTON

The position of cotton is less favorable than in the past few years.

Prices of raw cotton have declined from above parity to about the loan level. The domestic demand for cotton textiles has weakened with the result that domestic mill consumption of raw

cotton during the current season is expected to be at the lowest level since the outbreak of World War II, but still substantially above prewar levels. The carry-over of cotton at the beginning of the current season was larger than a year ago and, because of the large crop in 1948, is expected to be even larger next year.

A favorable aspect of the situation is that exports of raw cotton are expected to double those of last season and be higher than for any year since 1939.

The supply of cotton in the United States during the current season is estimated at over 18 million bales and probably will exceed disappearance by slightly over 5 million bales. The supply will consist of 14.8 million bales from the 1948 crop, the carry-over at the beginning of the season of 3.1 million bales, and imports of about 250,000 bales.

Mill consumption in 1948-49 is expected to be about 9.0 million bales, slightly lower than for last year. This decrease will be about equivalent to the anticipated decrease in exports of cotton textiles.

Current indications are that exports of 4 million bales in 1948-49 will be required to balance foreign production of commercial cotton against foreign mill consumption. Such exports would be the highest since 1939 when over 6 million bales were exported with the assistance of a subsidy program.

World production of commercial cotton in 1948-49 is estimated to be about 28 million bales and will exceed world mill consumption for the first time since the crop of 1944.

JOE H. MILLER
Bureau of Agricultural Economics

VEGETABLES

Demand for fresh and processed vegetables is expected to continue strong through most of 1949 and, weather permitting, production is again likely to be large.

If production of fresh vegetables next year is only slightly larger than in 1948, demand probably will be strong enough to hold prices only moderately lower

than in 1949. Truck farmers' costs generally will continue to rise and their net incomes may be somewhat lower than in 1948.

Demand prospects for potatoes are about the same as for other vegetables. Under the new Agricultural Act, however, support prices must be set in the 60 to 90 percent of parity range. Prices farmers receive are apt to depend a great deal on the size of the crop and the support level selected. In recent years, farmers have produced more potatoes than the market would absorb at support prices.

Experience with the below-average sweetpotato crops of 1947 and 1948 seems to indicate that we have about reached the ceiling prices for this product. As long as demand continues near current levels, and production does not increase, however, prices to farmers probably will be about as high as in the last two years.

Foreign demand for dry edible beans and dry field peas may weaken in 1949 although domestic demand will be about as strong. Unless production falls off, prices of both crops are likely to be at support levels next year.

Processors of canned and frozen vegetables probably will try to pack about as large a total tonnage in 1949 as this year. Growers' prices for most crops are expected to average nearly as high as in 1948.

The 1948 packs are expected to move into consumption readily at prices about as high as in the last year or two. No more than normal working stocks are expected to remain in the hands of packers and wholesale distributors at the beginning of the 1949 pack season.

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FRUITS

Domestic demand for fruits and tree nuts in 1949 probably will be about the same as in 1948. Prices for most fruits are likely to be near those of 1948, though larger production of some fruits may cause declines.

Export demand continues uncertain. Shortage of dollar exchange and import policies abroad continue to limit com-

mercial exports of fruits from the United States. Even with good progress in the economic recovery of Europe, exports of most fruits are likely to be far short of prewar.

Total United States imports of fruits and tree nuts in 1949 may be slightly larger than in 1948. Imports of bananas may rise moderately above prewar. Receipts of canned pineapple and pineapple juice, mostly from Hawaii, probably will be about equal 1948.

Citrus fruits: With good care of citrus groves and average weather, the 1949-50 citrus crop probably will be as large, or even larger, than the record 1947-48 crop. In this case prices to growers would be about as low as in 1947-48 when they were at the 1935-39 level.

Prices that growers will receive for the large 1948-49 crop, now starting to market, also are likely to average near those for the 1947-48 crop.

Because of a record pack of canned orange juice, the total 1947-48 pack of canned citrus juices are a record. With lower retail prices, this large pack has moved steadily into consumption. Another large pack from the 1948-49 crop is in prospect.

Noncitrus fruits: Next year, increases in the crops of commercial apples, peaches, pears, plums and prunes, and sweet cherries are likely. This probably will more than offset any decreases in apricots, sour cherries, and cranberries. If total production in 1949 is larger than this year's below-average crop, prices generally will be somewhat lower.

Production of the major deciduous fruits this year is about 12 percent smaller than in 1947. As a result, grower prices for the 1948 crops of apples, pears, and peaches are expected to average higher than those for the 1947 crops. Prices for grapes may average a little higher than in 1947, but prices for cranberries are expected to average lower.

Tree nuts: Production of tree nuts in 1949 probably will be smaller than the record 1948 crop, and prices probably will continue low. Imports may be about as large as in 1948.

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WOOL

Production of wool in the United States during 1949 probably will be somewhat less than in 1948 as some further reduction in stock sheep numbers apparently has occurred during 1948. Shorn wool production may total only 225 million pounds, which would be the smallest on record. Production of pulled wool may be about 47 million pounds, the smallest since 1925 and 36 percent below the 1944 peak.

The general level of wool prices in domestic and foreign markets probably will remain relatively high during 1948-49. Demand for fine wool eased somewhat after the opening early in September of the 1948-49 auctions in foreign markets. Prices of these wools were reported to be substantially below the record high closing prices of the previous season. However, demand probably will strengthen as the season advances, and prices may stabilize at pres-

ent levels or advance somewhat because of the relatively small world supply of choice fine wools. Prices for medium wools probably will remain near present levels during the remainder of the current season.

Under the provisions of the Agricultural Act of 1948, the price of wool to growers during 1949 will be supported at the 1946 level. However, as prices of the finer grades of staple wools in foreign markets probably will remain above the United States support level, growers of such wools may be able to obtain higher prices through direct sale to mills and dealers than through the price support program.

Consumption of apparel wool by mills in the United States may be somewhat less in 1949 than in 1948. However, a slight increase in the consumption of wool of foreign origin appears likely.

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Prices of Farm Products

[Estimates of average prices received by farmers at local farm markets based on reports to the Bureau of Agricultural Economics. Average of reports covering the United States weighted according to relative importance of district and State]

Commodity	5-year average		Oct. 15, 1947	Sept. 15, 1948	Oct. 15, 1948	Parity price, Oct. 15, 1948
	August 1909-July 1914	January 1935- December 1939				
Wheat (bushel)-----dollars--	0.884	0.837	2.66	1.97	1.98	2.20
Rye (bushel)-----do----	.720	.554	2.49	1.39	1.43	1.79
Rice (bushel)-----do----	.813	.742	42.51	2.16	2.07	2.02
Corn (bushel)-----do----	.642	.691	2.23	1.78	1.38	1.60
Oats (bushel)-----do----	.399	.340	1.09	.687	.699	.994
Barley (bushel)-----do----	.619	.533	1.77	1.08	1.10	1.54
Sorghum grain (100 pounds)-----do----	1.21	1.17	3.24	2.16	1.99	3.01
Hay (ton)-----do----	11.87	8.87	16.80	18.00	18.40	29.60
Cotton (pound)-----cents----	12.4	10.34	30.65	30.94	31.07	30.88
Cottonseed (ton)-----dollars--	22.55	27.52	90.60	68.10	63.70	56.10
Soybeans (bushel)-----do----	1.96	.954	3.11	2.45	2.27	2.39
Peanuts (pound)-----cents----	4.8	3.55	9.96	10.4	10.4	12.0
Flaxseed (bushel)-----dollars--	1.69	1.69	6.44	5.74	5.74	4.21
Potatoes (bushel)-----do----	1.697	.717	41.43	1.53	1.42	1.84
Sweetpotatoes (bushel)-----do----	.878	.807	2.05	2.32	2.07	2.19
Apples (bushel)-----do----	.96	.90	42.19	2.44	2.20	2.39
Oranges on tree (box)-----do----	2.29	1.11	1.74	1.96	1.60	3.76
Hogs (hundredweight)-----do----	7.27	8.38	427.10	27.30	24.60	18.10
Beef cattle (hundredweight)-----do----	5.42	6.56	418.30	24.20	22.10	13.50
Veal calves (hundredweight)-----do----	6.75	7.80	421.00	26.20	25.00	16.80
Lambs (hundredweight)-----do----	5.88	7.79	20.30	23.40	22.13	14.60
Butterfat (pound)-----cents----	26.3	29.1	74.5	75.6	67.8	67.6
Milk, wholesale (100 pounds)-----dollars--	1.60	1.81	4.66	4.98	4.93	4.25
Chickens (pound)-----cents----	11.4	14.9	26.6	31.9	29.9	28.4
Eggs (dozen)-----do----	21.5	21.7	55.3	51.4	54.7	62.1
Wool (pound)-----do----	18.3	23.8	41.9	46.3	46.1	45.6

¹ Comparable base price, August 1909-July 1914.

² Comparable price computed under the Steagall amendment.

³ 1919-28 average of \$1.12 per bushel used in computing parity.

⁴ Revised.

⁵ 1919-28 average for computing parity price.

⁶ Adjusted for seasonal variation.

Economic Trends Affecting Agriculture

Year and month	Industrial production (1935-39 = 100) ¹	Income of industrial workers (1935-39 = 100) ²	1910-14=100					Index of prices received by farmers (August 1909-July 1914=100)			
			Average earnings of factory workers	Wholesale prices of all commodities ³	Prices paid by farmers		Farm wage rates ⁴	Livestock and products			
					Com-modities	Com-modities, interest, and taxes		Dairy products	Poultry and eggs	Meat animals	All live-stock
1910-14 average.....	58	50	100	100	100	100	100	100	101	101	101
1915-19 average.....	72	90	152	158	151	150	148	148	154	163	158
1920-24 average.....	75	122	221	160	161	173	178	159	163	123	142
1925-29 average.....	98	129	232	143	155	168	179	160	155	148	154
1930-34 average.....	74	78	179	107	122	135	115	105	94	85	93
1935-39 average.....	100	100	199	118	125	128	118	119	109	119	117
1940-44 average.....	192	238	325	139	150	147	212	162	146	171	164
1945 average.....	203	291	403	154	180	172	350	197	196	210	203
1946 average.....	170	275	391	177	202	193	378	242	198	256	240
1947 average.....	187	332	440	222	246	231	408	269	221	340	293
<i>1947</i>											
October.....	190	348	455	231	254	239	404	283	251	360	313
November.....	192	352	458	233	257	241	-----	293	242	338	304
December.....	192	364	471	238	262	245	-----	311	262	352	320
<i>1948</i>											
January.....	193	359	466	242	266	251	425	313	231	379	328
February.....	194	354	462	235	263	248	-----	307	218	331	300
March.....	191	358	466	236	262	247	-----	298	212	342	302
April.....	188	341	463	238	264	249	420	296	214	347	304
May.....	192	350	464	239	265	250	-----	291	211	361	309
June.....	192	361	472	243	266	251	-----	291	221	390	326
July.....	186	361	413	246	266	251	431	300	234	417	344
August.....	191	376	483	247	266	251	-----	305	247	411	344
September.....	191	-----	-----	246	265	250	-----	302	253	408	343
October.....	-----	-----	-----	-----	263	249	427	289	260	373	323

Year and month	Index of prices received by farmers (August 1909-July 1914=100)								Parity ratio ¹	
	Crops									
	Food grains	Feed grains and hay	To-bacco	Cotton	Oil-bearing crops	Fruit	Truck crops	All crops		
1910-14 average.....	100	101	102	96	98	99	-----	99	100	100
1915-19 average.....	193	164	187	168	187	125	-----	168	162	106
1920-24 average.....	147	126	192	189	149	148	143	160	151	86
1925-29 average.....	140	119	172	145	129	141	140	143	149	89
1930-34 average.....	70	76	119	74	72	94	106	86	90	66
1935-39 average.....	94	95	175	83	106	83	102	97	107	84
1940-44 average.....	123	119	245	131	159	133	172	143	154	103
1945 average.....	172	161	366	171	215	220	224	201	202	117
1946 average.....	201	195	382	228	244	226	204	226	233	121
1947 average.....	271	246	580	261	335	194	249	261	278	120
1947										
October.....	302	284	357	247	344	166	238	261	289	121
November.....	312	283	354	257	349	151	272	268	287	119
December.....	318	305	377	275	367	149	294	281	301	123
1948										
January.....	322	318	377	267	377	135	320	284	307	122
February.....	251	261	374	248	333	136	320	257	279	112
March.....	260	284	372	256	339	140	295	262	283	115
April.....	268	291	371	275	351	142	340	276	291	117
May.....	261	282	370	284	357	141	262	267	289	116
June.....	249	278	370	284	364	155	213	261	295	118
July.....	240	256	370	266	366	172	213	253	301	120
August.....	227	235	386	245	310	183	172	236	293	117
September.....	223	223	406	250	282	185	150	231	290	116
October.....	226	192	418	251	270	174	176	227	277	111

¹ Federal Reserve Board represents output of mining and manufacturing; monthly data adjusted for seasonal variation.

² Computed from data furnished by Bureau of Labor Statistics and Interstate Commerce Commission on pay rolls in mining, manufacturing, and transportation; monthly data adjusted for seasonal variation. Revised August 1948.

³ Bureau of Labor Statistics.

⁴ Monthly data adjusted for seasonal variation.

⁵ Ratio of prices received to prices paid for commodities, interest, and taxes.

⁷ 1924 only.

⁸ Preliminary.

TOBACCO

Tobacco farmers can expect a strong United States demand for cigarette tobacco in 1949.

United States cigarette production in 1948 will set a new record of 385 billion—15 billion higher than 1947 and is expected to be as high or higher in 1949. Supplies of the major kinds of cigarette tobacco, flue-cured and burley, for 1948-49 are only slightly smaller than last year. Supplies of Maryland type 32 also are large.

Prices of most kinds of tobacco will be supported at 90 percent of parity (or parity equivalent) in 1949. Supports for fire-cured and dark air-cured types will continue at 75 percent and 66 $\frac{2}{3}$ percent of the burley support. The 1949 flue-cured price support, which will be 90 percent of next June's parity, is expected to be near the 1948 level. However, supports of other types, based on September 1949 parities, may be lower than in 1948 because of the likelihood of declines in the index of prices paid by farmers in the second half.

Snuff production in 1949 is expected to be close to the 41 million pounds produced this year. Chewing tobacco output may be slightly less than the 98 $\frac{1}{2}$ million pounds estimated for 1948 in line with the long-term trend. Supplies of fire-cured and dark air-cured, used mainly in snuff or chewing tobacco, are large in relation to prospective requirements.

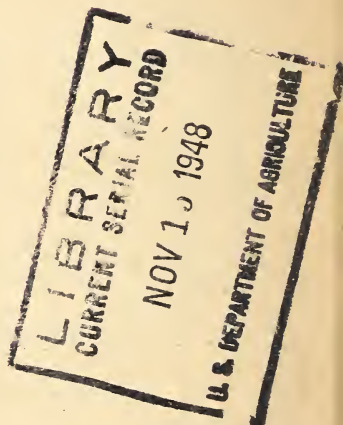
Manufacture of smoking tobacco in 1948, an outlet for a considerable quantity of burley, is estimated at 109 million pounds, up 3 percent from 1947, and may gain some more in 1949.

Cigar consumption in 1948 is estimated at 5 $\frac{3}{4}$ billion and may be up further in 1949. Domestic cigar filler and binder supplies for 1948-49 are near those of last year while those of domestic wrapper are a record.

Exports of tobacco during 1948-49 are expected to be above the 450 million pounds of 1947-48. ECA programs will be an important factor.

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